



Performance Management Guide

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Introduction

Good people management is essential in any business. But where do you find the time to develop the knowledge and skills to do that?

That's where My Business can help. Read on as we walk you step by step through the performance management process. You'll learn about different ways of approaching performance management, what the law says, how to give and receive feedback and how to manage underperforming employees. And our checklist ensures you've got it all covered.



What is performance management?

It's all about helping employees do their jobs to the best of their abilities.

For employers, that means regularly assessing job performance and providing constructive feedback – as well as obtaining feedback from employees.

If performance isn't up to scratch, performance management involves taking steps to improve the situation.

It also:



Helps ensure you treat all employees fairly, equally, and consistently



Helps ensure each situation is handled individually

While performance management is an important skill managers need to have, it can be difficult and confronting. That's why many managers and business owners either avoid doing it or don't do it thoroughly.

The basic steps of performance management are:

- Setting job performance requirements and standards
- Communicating them to employees
- Providing the resources to enable good performance
- Monitoring and assessing employee performance
- Providing feedback on performance to employees
- Deciding on further action, such as strategies to improve performance
- Implementing those actions, then starting the cycle again



Why do it?

The benefits of employees being more productive and performing better are obvious. It's also important to identify any problems that may be occurring (or have the potential to occur) and to act quickly.

Performance management can:

- Recognise and reward employees' efforts and achievements
- Identify employees suitable for promotion
- Identify training, learning and development needs
- Give feedback on the effectiveness of employee recruitment and selection
- Provide objective data to base pay reviews on
- Check whether the job content and job description for each position are still relevant
- Enable employee feedback on the job itself, organisation culture, management style, workplace safety, suggested improvements, etc
- Identify problems at the workplace via feedback and observation
- Obtain objective information as a basis for decisions such as dismissal or demotion that will comply with the law – see further below. But hopefully it will also prevent the need to make such decisions in the first place.

What does the law say?

Performance management can protect your business if a legal dispute arises.

If an employee makes a claim of unfair dismissal, adverse action, or unlawful discrimination, you must be able to prove you treated the employee fairly, followed proper processes and complied with the law.

Performance management done properly provides objective evidence on which to base decisions.

The Fair Work Act 2009 requires employers to have a valid reason for dismissing an employee and to have provided the employee with “procedural fairness” in the steps that led up to dismissal. Businesses with less than 15 employees need to comply with the [Small Business Fair Dismissal Code](#), which is incorporated into the Act.

Procedural fairness

If you dismiss someone for poor job performance, you need to demonstrate you made the employee aware of how to perform the job, assessed the employee's performance objectively and fairly, gave the employee an opportunity to respond and to improve performance, and took any remedial action to help the employee (e.g. retraining).

You can only do this if you have accurate and relevant information to base your decisions on.



Unlawful discrimination/adverse action

If a discrimination or adverse action claim arises, you need to demonstrate that job performance alone was the reason for making your decision.



Informal v formal performance management

In small businesses, most performance management will be informal. This means setting aside time on a regular basis for “catch-up” one-on-one meetings to discuss work and provide and receive feedback.

You can do this by using a regular schedule, or when needed, e.g. after completing a major work task, or when problems emerge.

If “catch-up” meetings are delegated to line managers, be aware some managers may try and avoid the possibility of conflict or confrontation, so you need to ensure meetings do take place regularly.

If an employee is underperforming, you may need to schedule these meetings more often.

Larger businesses tend to have formal performance review systems, such as annual or half-yearly reviews that involve completion of forms that rate specific aspects of job performance. These can be more objective and comprehensive but are time-consuming and not a guarantee against error. In businesses with few opportunities for promotion or career development, they may be overkill.

If you take an informal approach, keep records of all conversations in case you need the evidence later.

What performance are you managing?

The starting point here is:

- 1 What does the employee actually have to do? Use the job description as a starting point.
- 2 What are the criteria for “good” job performance? These are outcomes or measurements of activities that are regarded as essential to success.

The following are some criteria used for many jobs, but you should adapt to suit each individual job:

- quantity of work output
- quality of work output
- actual work outcomes
- performance of specific tasks
- job/subject knowledge
- decision-making
- team contribution
- relations with other staff
- reliability/attendance/timekeeping
- compliance with goals/targets/procedures
- planning/organising/prioritising tasks
- need for supervision
- communication skills
- leadership skills
- problem-solving skills
- customer satisfaction/complaints

The criteria you use should meet the following requirements:

- related to job performance
- distinguish between good and bad performance
- largely controlled by the employee
- realistically achievable
- based on documented achievable outcomes
- include measures of both quality and quantity
- ensure that behaviour required to meet objectives is consistent with business objectives and culture (e.g. safe, ethical)
- communicates performance expectations to employee and provides feedback

Who should do it?

The person managing performance must clearly understand what the job must achieve and what must be done.

They must be familiar with the employee and able to observe at least a representative sample of job performance and evidence of it.

The employee's immediate supervisor is the person most often used. However, it is also possible to include feedback from others such as co-workers, other managers, external sources such as customers and suppliers, as well as self-assessment by the employee.

Including others can be useful if there are problems between the employee and immediate supervisor, such as personality clashes. A more "balanced" assessment can be a useful defence if disputes later arise.

How to manage underperformance

How is underperformance different from misconduct?

Underperformance includes:



Not performing work duties, or performing them below the required standard



Not complying with work procedures, rules or policies



Disruptive, negative or unproductive behaviour

Misconduct refers to serious and deliberate conduct that may be unlawful, unsafe, or unprofessional. Examples include theft, fraud, harassment and bullying.

They may justify summary dismissal, whereas underperformance requires analysing the causes before deciding what to do. Dismissal may still be justified, for example if the employee simply lacks the capacity to do the job and this cannot be rectified.

Other common causes of underperformance include:

- Job duties, performance standards and/or outcomes were not communicated clearly to the employee.
- The employee lacks the skills, knowledge or training to perform.
- Problems in the workplace, such as lack of resources/support, poor management, bullying, technical problems, low morale, cultural barriers.
- Personal and/or outside-work problems affecting the employee, such as physical or mental health, alcohol/drug use, family problems, financial problems.

How to tackle it

Use this five-step process to tackle underperformance in your workplace.

1 Identify the problem

- Record specific examples of the actions or conduct that are causing problems. Collect evidence such as statistics or complaints.
- When does it occur?
- What problems occur as a result? How serious are they?
- Has performance been OK in the past?
- How do the actions/conduct need to improve?

2 Assess the extent of the problem

- How serious is it (e.g. cost, loss of business, loss of productivity)?
- How often does it occur?
- How long has it been a problem?
- Are the problems getting worse?
- What is the gap between what is required and what is done?
- Does the employee benefit in some way from unsatisfactory performance (e.g. trying to prove a point, having a hidden agenda, undermining someone else, trying to orchestrate a payout or redundancy, etc)?
- Is the employee capable of satisfactory performance?

3 Organise a meeting with the employee

- Notify the employee of the reason for the meeting and provide details of the evidence above.
- Advise the employee that a support person can attend.
- Clearly describe the problem using specific examples.
- Explain how it affects the job, the business and others, e.g. co-workers.
- Explain in practical terms what needs to change.
- Allow the employee to respond and present any reasons/mitigating factors. Consider these carefully before making any decisions.
- Keep a record of the interview, what each party said, and any actions agreed on.

4 Devise a solution

- Explain clearly what changes to performance or conduct are required.
- Seek the employee's input on how to achieve those changes. Both parties should offer solutions.
- Give assistance where required, such as training, changes to job duties or work processes, extra resources, counselling.
- Set a time frame for improvement and follow-up.
- Where underperformance is ongoing and/or serious, set out the potential consequences if improvement does not occur, e.g. a formal performance management plan, dismissal, formal warning.
- Again, keep records.

5 Monitor progress and further review

- Enact any forms of assistance you promised to.
- Before the time frame set by step 4, contact the employee informally to check how things are going.
- Collect evidence of performance since the meeting. Assess what has improved, what has not improved, whether the support provided has been effective, and overall whether underperformance is still occurring.
- If performance is now OK, tell the employee and discuss what can be done to ensure it stays OK.
- If it is still not OK, consider your options – which include further review, warning, dismissal.



Performance management interviews

Even for informal interviews it's useful for interviewers to undergo some training. Role plays, videos and simulations are useful training tools to develop interviewing skills.

Important skills required include:

- knowledge of the employee's job and what is "good" and "poor" performance
- active listening skills
- using appropriate, behaviour-focused language
- giving constructive feedback and responding to employee feedback
- dealing with conflict, barriers and defensiveness if they arise
- cultural awareness and empathy
- negotiating and decision-making skills
- coaching and counselling skills
- ability to consider all factors that may influence an employee's performance and conduct

Interviews should take place in a private location where interruptions cannot occur. The employee should receive advance notice so they can prepare for an interview.

If the interview is to discuss underperformance or misconduct, notify the employee of the allegations being made in advance, and allow a support person to attend if the employee wishes.

Giving and receiving feedback

The feedback you provide to employees must be:

- **Specific** – use actual on-the-job examples and explain the corrective action required
- **Timely** – it should be given close to the performance it refers to, and in time for improvements to be made
- **Frequent** – regular informal “catch-ups” in-between more formal are recommended, even if they are brief
- **Focused** – focus on the important issues only, don’t overload employees with information
- **Factual** – describe actual behaviour observed and verified, not inferences and conclusions. Otherwise, you risk defensive responses and arguments.

When receiving feedback from employees:

- Try to treat criticisms as advice. Respond positively if you can. If you think the criticism is unfair, respond assertively rather than aggressively.
- Ask for specific advice of ways you could improve.
- Implement valid and positive suggestions promptly as an example to others.

What is procedural fairness?

When ruling on unfair dismissal claims, tribunals consider whether an employer provided procedural fairness to an employee.

If you dismiss an employee for unsatisfactory job performance, the scope of procedural fairness includes the following:

- Issues are investigated thoroughly and impartially.
- Alleged deficiencies are clearly explained to the employee, who then has time to prepare for any meeting(s).
- A support person was allowed to attend any meetings.
- The employee has an opportunity to respond to the allegations of poor performance.
- You don't make a decision until after the employee has responded and you take the response into account.
- The employee receives a reasonable opportunity to improve performance.
- You tell the employee what the potential consequences of failure to improve will be.
- Confidentiality is preserved.
- You treat all employees equally and consistently.
- Action is timely, not delayed or rushed to manipulate the situation.

What about employees who work remotely?

The disruptive effects of COVID-19 in 2020/21 sparked a massive increase in the number of employees working remotely, most often from home.

Managing the performance of remote employees can create some extra challenges, but here are some tips:

- Don't assume that not hearing from remote employees means all is OK. Regular and transparent conversations about work progress are essential.
- At the same time, you need to focus on work quality and outcomes, not on monitoring when and where employees are working. The mindset of some managers that "if I can't see them, they may not be working" can be hard to change, but it needs to.
- Set up an online space or a communication system where team members can show the progress of their work and you can keep the team aligned and accountable. Other options are scheduling online meetings at regular times and having a checklist-type communication such as an email process to note things actioned, progress and stumbling blocks.
- Set a regular schedule for one-on-one conversations about work with each team member. Then stick to it.
- Consider setting specific times when all employees must log in online for meetings.
- There may need to be more emphasis on self-assessment of performance.
- Meetings via technology such as Zoom allow you to see expressions and body language, which will help with communication. A real-time chat app allows you to clarify matters on the spot and avoid misunderstandings.
- Consider encouraging team members to arrange online feedback loops with each other.

- Ensure that remote employees have the same access to “news” about the business and access to the same opportunities, e.g. to apply for promotions. Also remember to include them in any “celebrations”.
- End online conversations with “is there anything else you need from me?”
- In the event of underperformance, follow similar processes to those for on-site employees. For example, ensure you observe the steps of procedural fairness (see above). Note that an extra criterion for assessing performance is how employees present themselves, and are perceived by others, when online.



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My Business Workplace can guide you through the performance management process and much more with ready-to-use templated documents and policies like:



Performance Appraisal Form

This form will help you conduct the performance review process talk to your employees about the quality of their work and identify any areas of their performance that needs improvement.



Performance Management Checklist

This checklist guides you on the relevant information and evidence to collect to manage performance issues and takes you through the steps of the meeting process.



Performance and Misconduct Policy

Have an issue with an employee whose performance isn't up to scratch? Our Performance and Misconduct Policy can clarify employers' and employees' expectations and responsibilities and what can happen if underperformance occurs.

When you sign up to My Business Workplace, you can also access our Workplace Advice Line. Talk to an HR specialist for tailored advice relating to your business and your people.

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